

# News

from the Illinois Commerce Commission

Voice: Springfield. 217.782.5793 Chicago. 312.814.2850 FAX 217.524.0674 BBS 217.782.9233 <http://www.state.il.us>

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Contact: Beth Bosch  
Phone: 217-782-5793

## ICC Adopts Post-Transition Procurement Process, Enhanced Consumer Protections While Protecting State Regulatory Authority

The Illinois Commerce Commission today approved a reverse auction as the preferred means for procuring energy for electric utility customers when the rate-freeze expires at the end of this year. The Commission found that this method would provide ratepayers with the lowest cost electricity available at this time. Additionally, the Commission added significant consumer protections to the measure while also maintaining the state's regulatory interest in the future marketplace.

The Commission voted unanimously to authorize Commonwealth Edison and the Ameren companies, Central Illinois Public Service, Central Illinois Light Company and Illinois Power to conduct a joint auction to purchase electricity to serve nearly 4.9 million customers. The auction would be held in early September this year and new tariffs reflecting the market price of electric power would take effect January 2, 2007.

The Commission also moved to ensure continued regulatory oversight by approving an annual prudence review. Conditions include annual public hearings to determine the prudence and accuracy of purchased power costs resulting from the auctions. A separate annual review will look at the procurement process to see if any improvements or changes are necessary.

Based on ICC staff testimony, the Commission eliminated ComEd's proposal to purchase 25 percent of its electricity under five-year contracts out of a concern that it would unnecessarily raise costs to consumers. By doing so, the ICC aligns products in the ComEd docket with those in the Ameren docket.

These consumer conditions are designed to enhance the overall transparency of the auction process and focus on three key areas:

1. **Consumer Choice Initiative**—The ICC will initiate a process to analyze electric markets, identify barriers to retail competition and promote policies to overcome those barriers and encourage retail competition.
2. **Creation of the Illinois Market Monitoring Unit within the Commission.** The IMMU will analyze, monitor and report on the status of wholesale markets. The IMMU will report its findings to the Commission, policymakers and consumers.
3. **Plans to develop rules to reduce consumer costs through renewable energy, demand response and energy efficiency programs.** The ICC will direct its staff to implement these policies.

Small business rates were frozen and residential rates have been cut by 20 percent and then frozen since the state began an eight-year transition to a deregulated market. In fact, most residential customers in Illinois benefited from a series of legislatively mandated rate decreases in the early years of the transition period. During that same time, many of the larger utility customers began shopping for power in the market, and paying Commonwealth Edison or Ameren's companies to deliver that power.

Beginning in 2007, electricity prices for customers that do not select an alternative retail electric supplier will reflect the prices from the auction. For residential and smaller commercial customers, the prices will be a blend of three-year, overlapping contracts. Blending of longer term supply contracts is designed to provide a measure of price stability. For larger commercial and industrial customers, prices will reflect either one-year supply contracts or, in some cases, hourly prices.

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